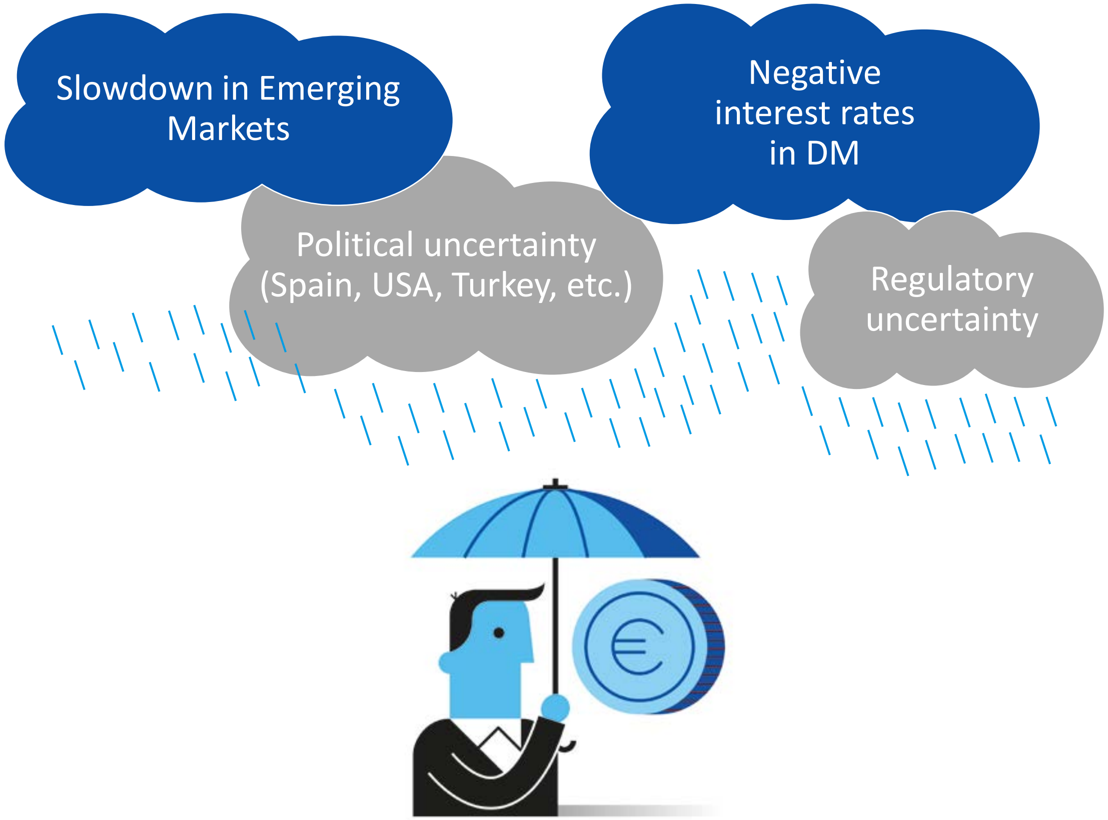
BBVA Group

Erik Schotkamp
Capital and Funding Management Director

Deutsche Bank – 2016 Yankee Bank Conference
September 2016

BBVA
Resilience in a difficult environment



BBVA Strengths

- Attractive business model
- Superior earnings power
- Solid risk management
- Sound capital and liquidity position
- Moving ahead in digital Transformation

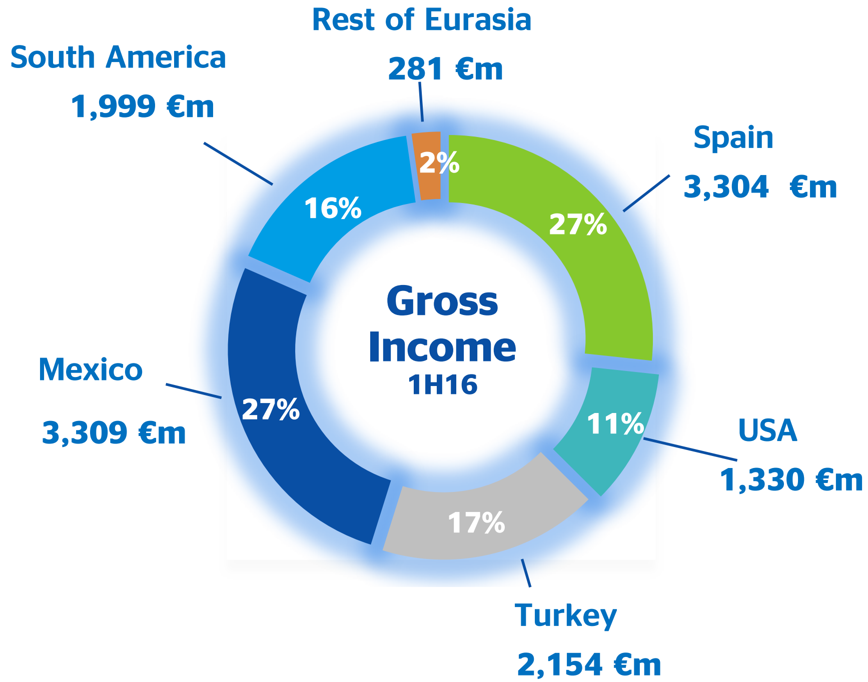
Attractive Business Model

Well diversified with leading franchises

Geographically diversified

Gross Income breakdown

1H2016 (%) (1)



With leading franchises in our core markets

Market share and ranking by loans

Detail by country (2)

	Market share (%)	Ranking (#)
Mexico	23.8%	1st
Spain	14.4%	2nd
Turkey	11.8%	2nd
South America (ex Brazil)	10.4%	1st
USA (Sunbelt)	6.3%	4th

(1) Figures exclude Corporate Centre. (2) Spain: market share data correspond to other domestic sector and public sector data as of June, 2016 (source: Bank of Spain) while the ranking has been built using AEB and CECA data; Mexico: data as of June, 2016; South America: data as of June, 2016: ranking considering only our main peers in each country; USA: data as of June, 2015 market share and ranking by deposits considering only Texas and Alabama; Turkey: BRSA data for commercial banks as of June, 2016; ranking only considers private banks.

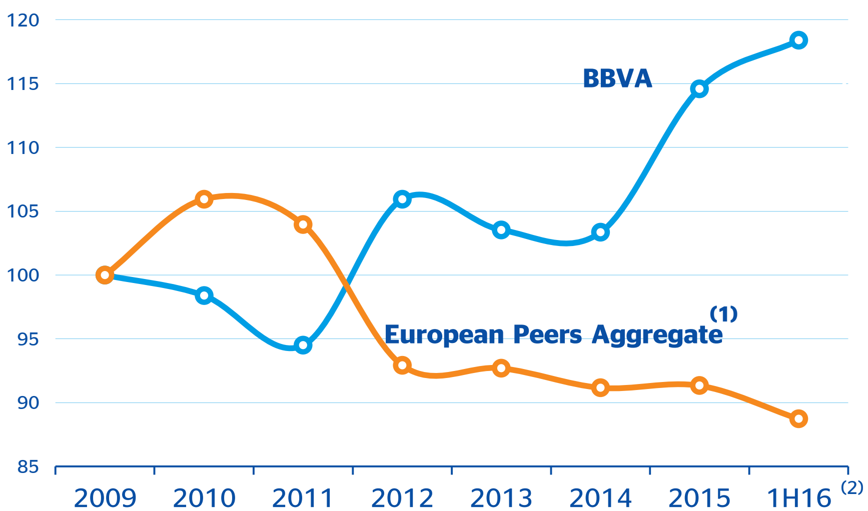
Ensures resilience and low volatility of earnings

Profit generation all through the crisis

Resilient earnings

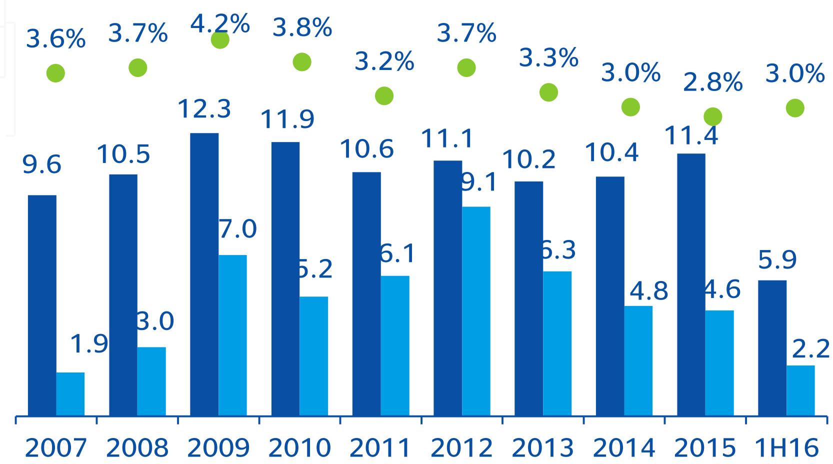
Gross income evolution

Base 100 = 2009



Profit generation all through the crisis

€ Bn



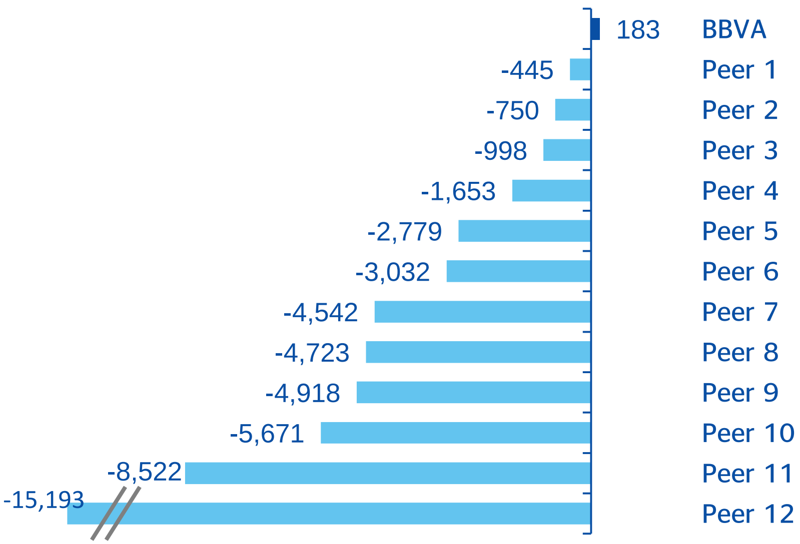
(1) European Peer Group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCG . (2) 1H2016 annualized for comparative purposes.

EBA 2016 EU - Wide Stress Test

Evidences BBVA's resilience in stress scenario …

Profit generation in the adverse scenario

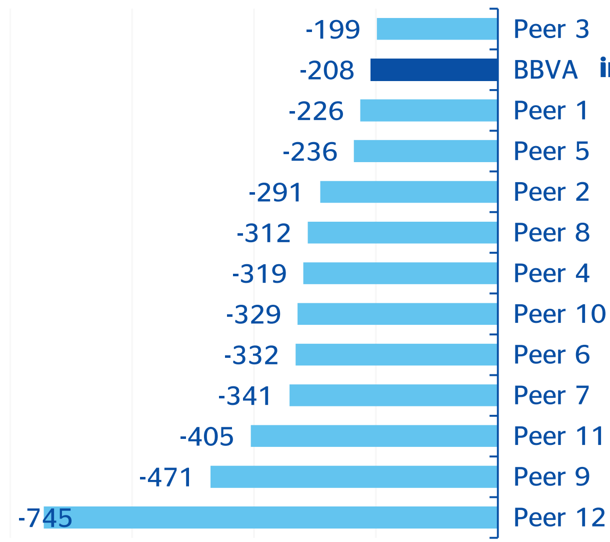
Cumulative 2016-2018 (€mn)



BBVA is **the only bank generating positive results** in 2016-2018 adverse scenario

CET1 FL Evolution 2015-2018

Adverse scenario (bps)



BBVA 2018 Ratios in adverse scenario

CET1 FL 8.2%

Leverage Ratio 5.1%

The **second smallest impact on CET1 FL** ratio in 2018 adverse scenario

… due to the ability to generate recurring results

Source: BBVA based on 2016 EBA stress test.

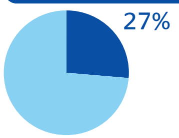
Note: Peers included: BARC, BNPP, CASA, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG and UCI.

Superior Earnings Power

Main topics by Business area after 2Q results

% Group's Gross Income (1) | 2016e GDP growth (2)

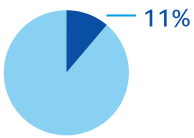
SPAIN



+3.1%

- **NII Pressure** due to **low interest rate environment.**
- Focus on **cost control**
- Maintaining **positive trend in loan-loss provisions and impairments**
- Ongoing **RE exposure reduction** and **lower P&L negative impact**

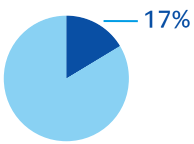
USA



+1.6%

- **Positive NII performance** and **costs under control**
- **Lower Oil & Gas provisions** than in 1Q16
- **CCAR test** passed

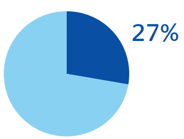
TURKEY



+3.5%

- Solid **revenue growth** (>20%)
- Excellent **cost management**
- Outstanding **bottom-line growth**

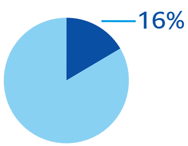
MEXICO



+1.8%

- Outstanding **gross income performance and positive jaws** in 1H16
- Bottom line **double-digit growth**
- **Significant FX negative impact** in 2016

SOUTH AMERICA



1.6%

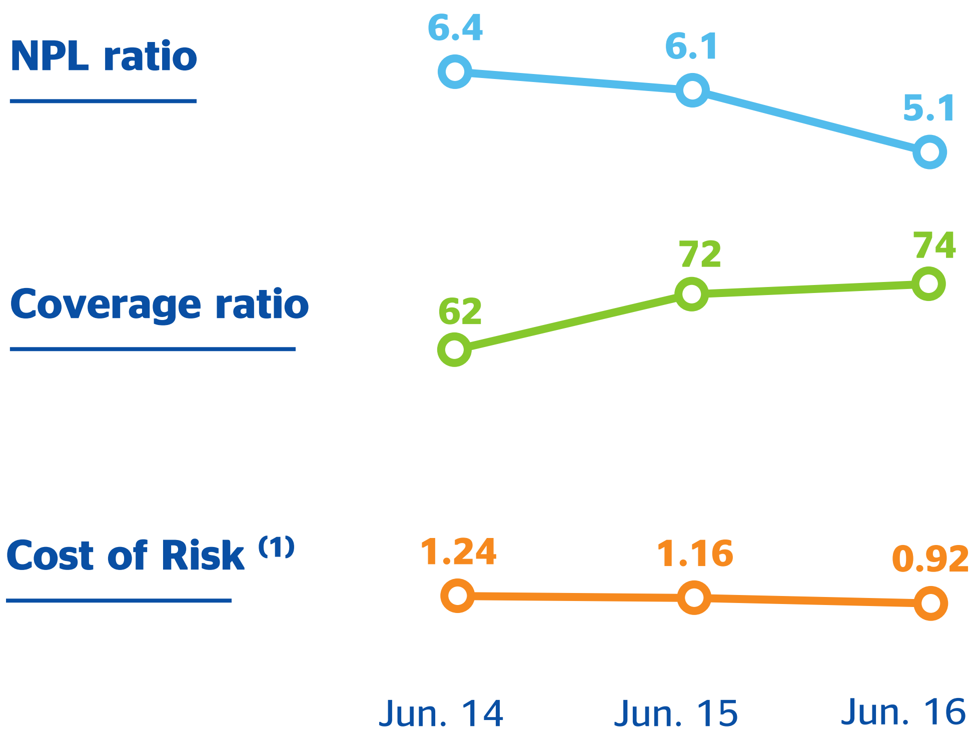
- Good **revenue growth**
- **Cost of risk** better than expected
- **Significant FX negative impact** in 2016

Footprint positively geared to GDP growth

(1) Data as of 1H16. Figures exclude Corporate Center (2) BBVA Research estimates. South America 2016 estimate based on BBVA's footprint ex Venezuela, country weightings based on 1H16 Gross Income.

Solid Risk Management

Continuous improvement thanks to Spain's recovery



Risk Framework
A Risk Management Model based on **prudence** and **proactivity**

Risk Management Goal
To preserve the Group's **solvency**, support its **strategy** and ensure **business development**

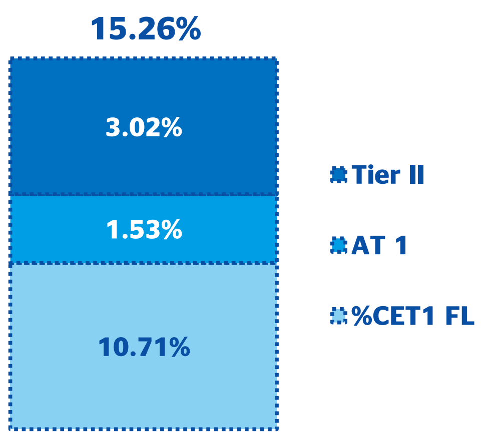
(1) Accumulated Cost of Risk

Sound Capital Position

Solid capital ratios and ability to generate capital

Solid capital ratios

Fully-loaded capital ratios (2Q2016)
BBVA Group (%)

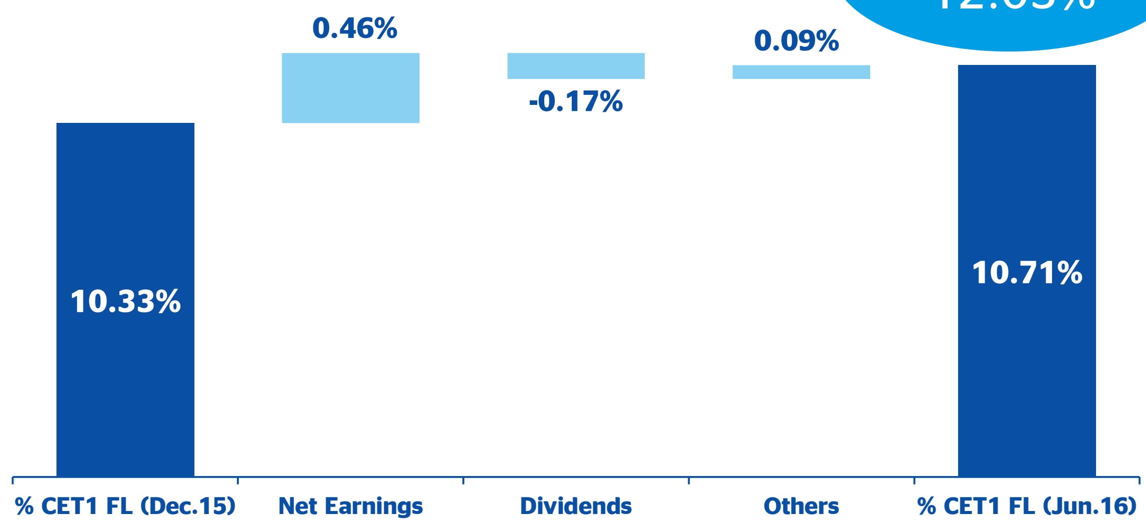


AT1 and T2 buckets already covered

Ability to generate capital

2016 CET1 fully-loaded evolution
(%)

CET1 phased-in: 12.03%



On track to achieve CET1 FL 11% target in 2017

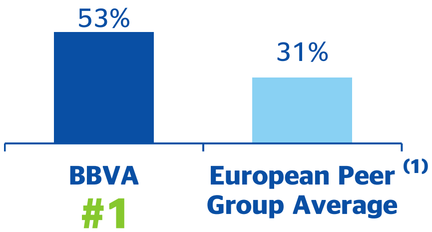
RWAs distribution

High RWAs density and limited usage of internal models vs peers

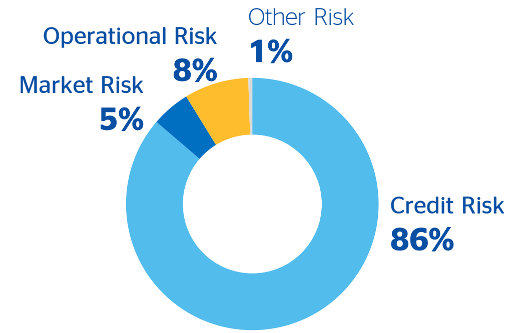
High Quality Capital

85% of RWAs related to Credit Risk and 65% explained by Stand. model

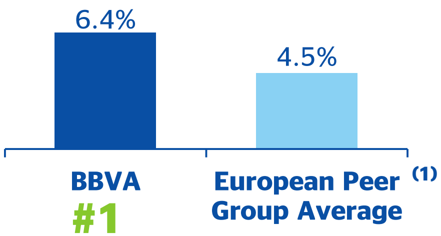
RWAs/ Total Assets
2Q2016



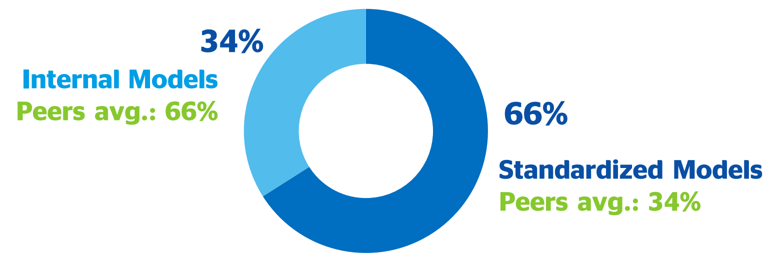
RWAs: breakdown by type of risk (2)



Leverage ratio
2Q2016



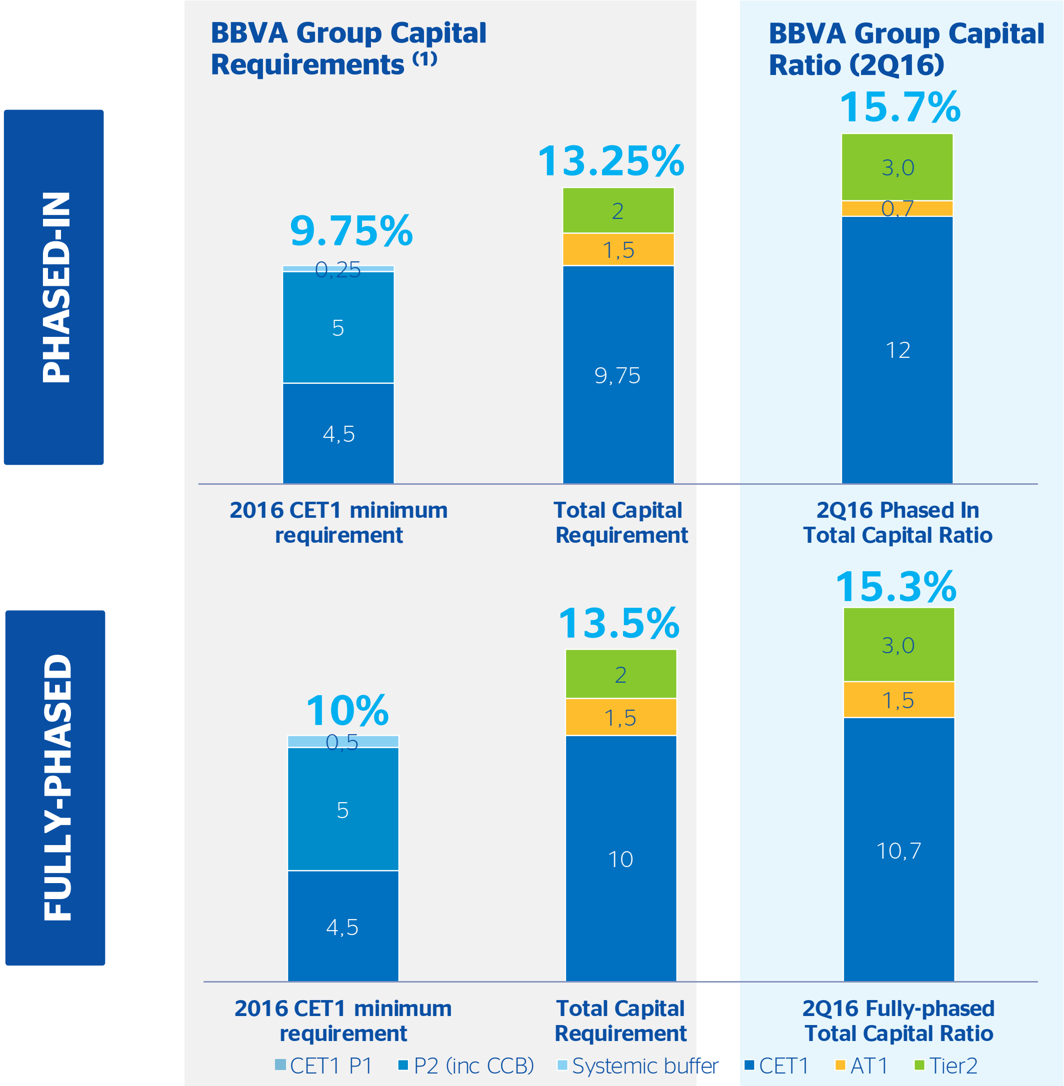
Credit Risk RWAs: breakdown by Model(1)



(1) European Peer Group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCG (2) Data as of Dec. 2015. Based on EBA's 2016 EU-wide Stress Test.

Sound Capital Position

Capital ratios well above current requirements



2017 SREP expected to include **Total Capital requirement**

2017 SREP requirements to be communicated **before year end**

Possible **introduction of Pillar II guidance**, improving distance to MDA

Overall capital requirements expected to be **stable**

(1) Pillar 1 CRR art.92 + SREP requirements + G-SII B+ O-SII B+ CCyB.

MREL framework

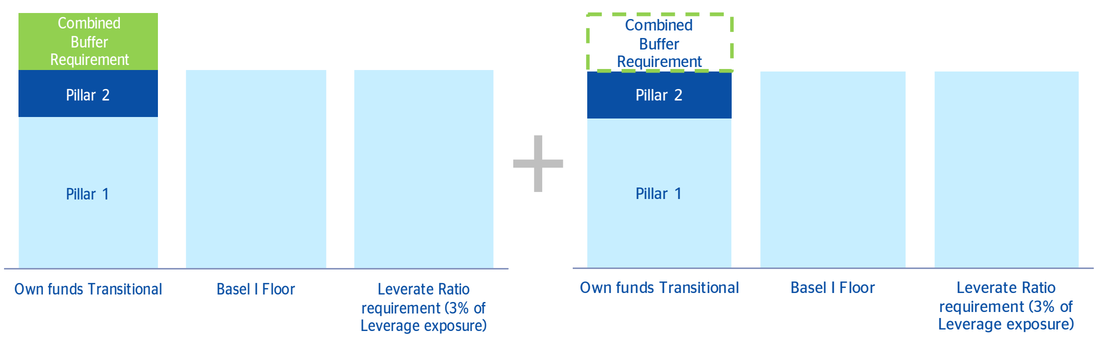
MREL Requirement

MREL Requirement = 1 + 2 + 3

1 **Loss Absorption Amount**
(The highest of the below)

2 **Recapitalization Amount**
(The highest of the below)

3



+ Other adjustments (1)
(by Resolution authority)

Key themes to manage

- Perimeter
- Calibration
- Calendar
- Eligibility of instruments

(1) Related to exclusions from bail-in or partial transfer which are an impediment to resolvability; business model, funding model and risk profile; size and systemic risk; contributions by the deposit guarantee scheme to the financing of resolution.

MREL framework

Key themes to manage

Key Themes

in determination of MREL needs

Perimeter

BBVA S.A: principal entity to which MREL will be applied

- ✓ No G-SIB, but considered **O-SII**
- ✓ Strong starting point (CET1 FL for BBVA S.A. 17,9% in 2Q16)
- ✓ Treatment of subsidiaries

Calibration

Overall MREL requirements should converge with TLAC

- ✓ Europe has 15 G-SIBs (vs 30 G-SIBs in total)
- ✓ Level playing field for G-SIBs and O-SIIs
- ✓ Ambitions of SRB

Calendar

Lack of visibility. More clarity expected in 4Q16

Apr´14	Nov´14	Jul´15	Jan´16	Oct´16	Jan´20
Final BRRD Approval	EBA public consultation	EBA Technical Standard	Bail-in enters into force	• **EBA&EU COM review** • **Q3: SRB first set of MREL decisions**	

Four-year phase in (Jan´16 – Jan´20)

Eligibility of instruments

Necessity to achieve harmonization in Europe with respect to the characteristics of qualifying MREL instruments

- ✓ Spanish regulation allows the issuance **of Subordinated non-preferred securities** as a segregated intermediate class between senior unsecured debt and subordinated debt
- ✓ Strong similarity with “French non-preferred senior debt”

Solid liquidity position

Refinancing of wholesale maturities as primary source of MREL

Wholesale funding highlights

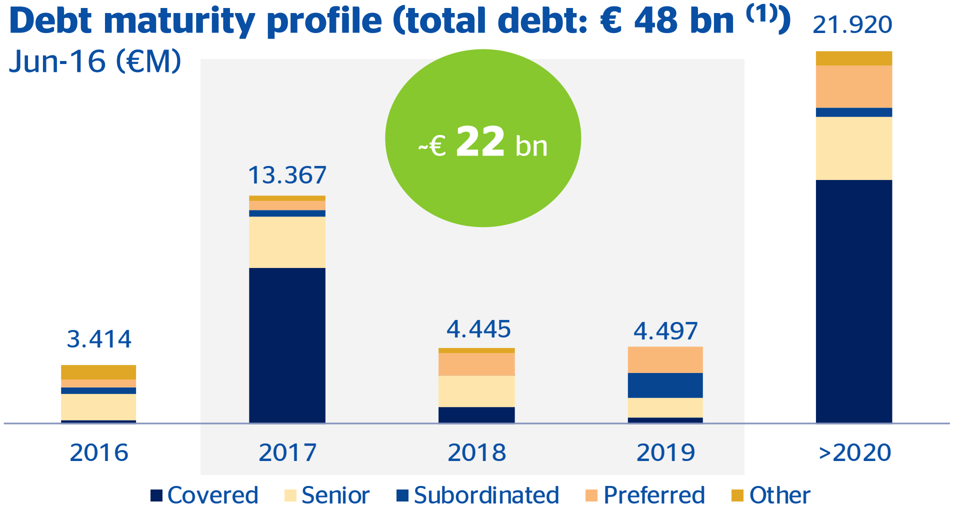
Low funding needs for the remainder of 2016
Funding Maturities in the next 3 years roughly € 22 bn

The maturity profile of our wholesale funding structure enables a smooth substitution rate from traditional formats to MREL compliant securities

In the medium-term, the liability structure of the balance sheet should migrate towards a structure with more bailinable instruments

Debt maturity profile (total debt: € 48 bn [1])

Jun-16 (€M)



(1) Outstanding amount as of June 30, 2016 (CX included).

Wholesale funding issuances

- May'15 → € 1.1 bn Senior debt
- Oct'15 → $ 1 bn Senior debt (USA)
- Nov'15 → € 1.25 bn Covered Bond
- Jan'16 → € 1.0 bn Senior debt
- Mar'16 → € 1.25 bn Covered Bond
- Apr'16 → € 1 bn AT1

Solid liquidity position

Decentralized capital and liquidity management

Independent ratings and liquidity management by subsidiaries

Market discipline and proper incentives

Firewalls between subsidiaries and the parent company

Supervision and control by the parent company

Proven resilience during the crisis

USA	Mexico	Turkey	South America
Loan to deposits **95%**	Loan to deposits **92%**	Loan to deposits **106%**	Loan to deposits **103%**

Figures as of June 2016.

Transformation
Driving efficiency

Technological levers

Infrastructure
Lower and variable cost of structures

Software
Development of global components + Agile

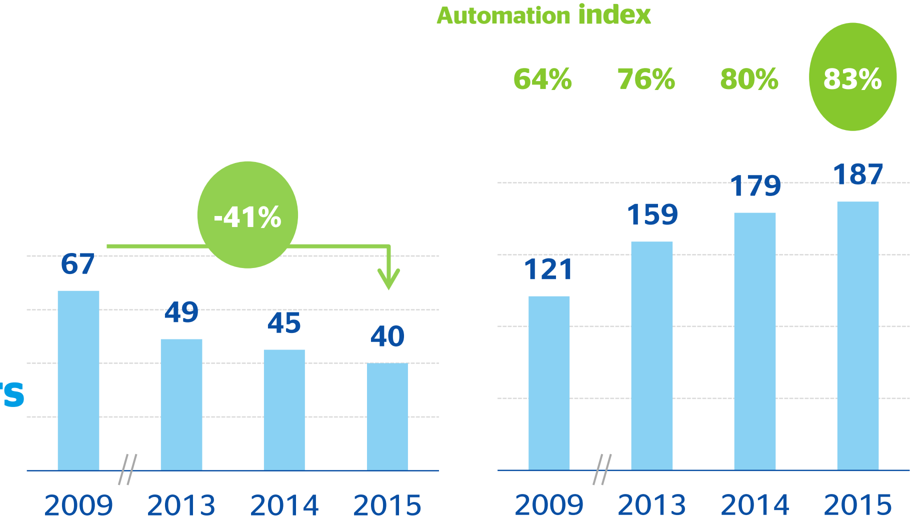
Process automation

Moving to more efficient channels

- Web
- Mobile
- Remote managers

Branch transactions
Millions – BBVA Spain

Other Channel transactions
Millions – BBVA Spain



Remote managers: **+23%** customers in portfolio vs. branch managers

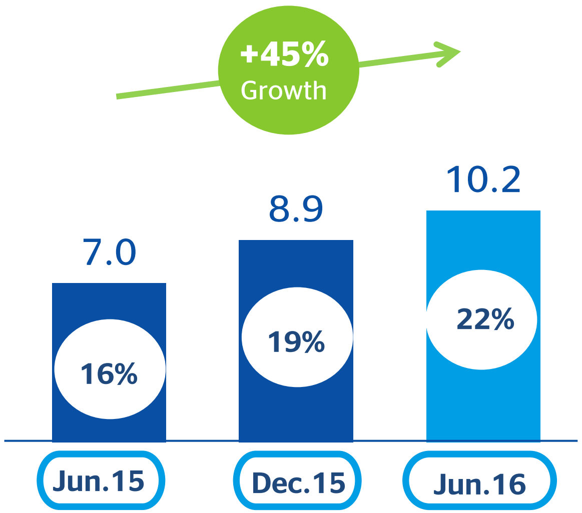
Source: BBVA; Automation index= Other Channel transactions/ Total transactions.

Transformation

Growing our Digital Customer Base

Digital Customers
BBVA Group – Million, % penetration

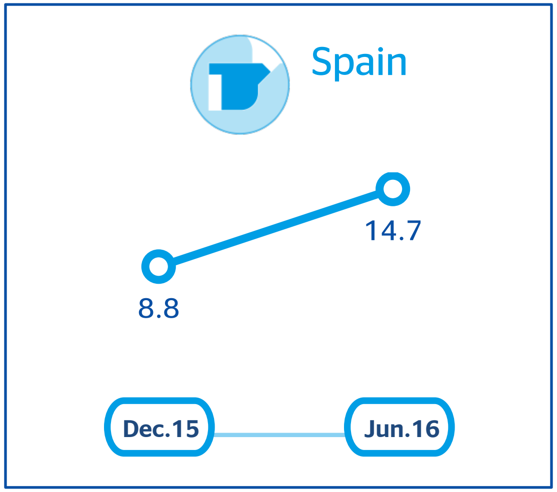
Mobile Customers
BBVA Group – Million, % penetration

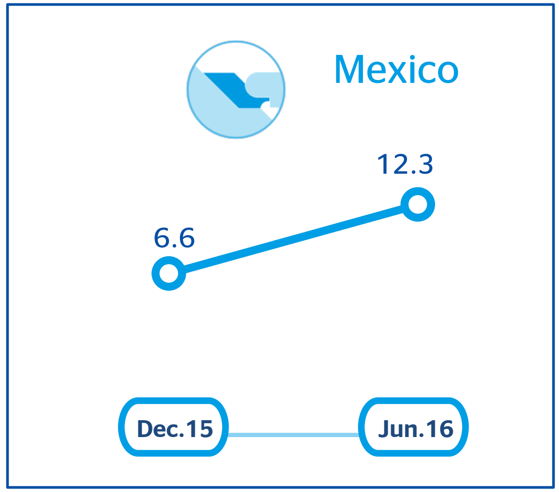


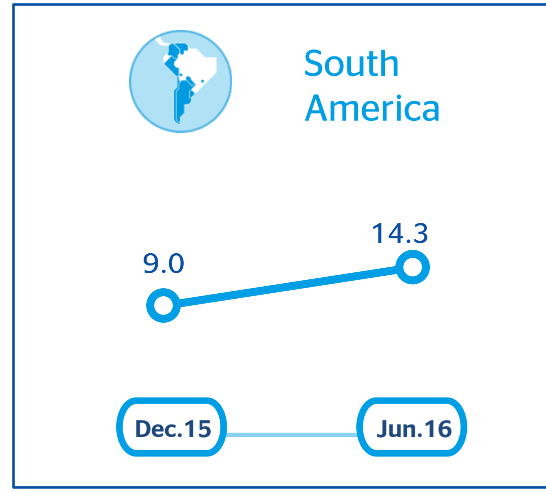
Transformation

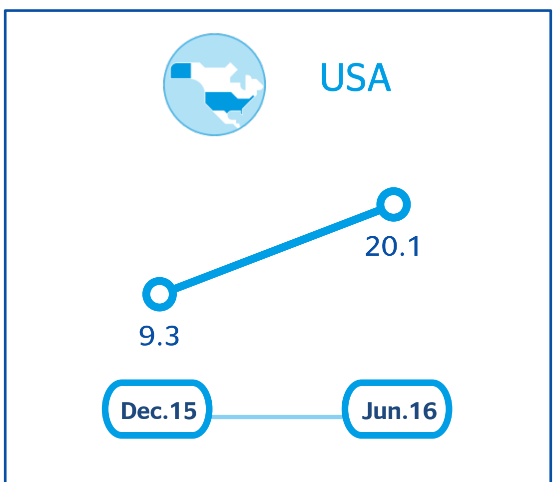
Focus on Driving Digital Sales Across all Franchises

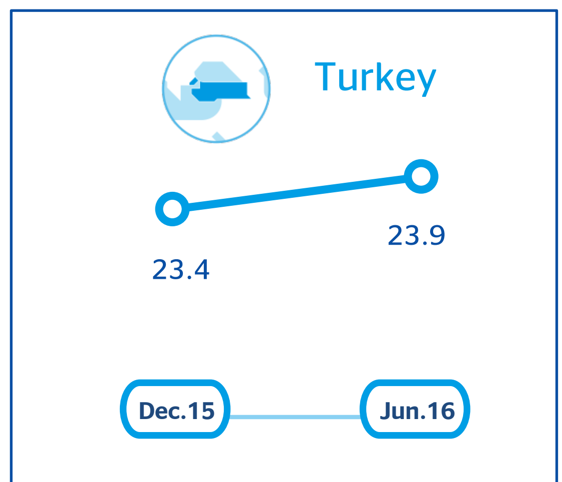
Digital Sales - % of total sales YtD, # of transactions











BBVA

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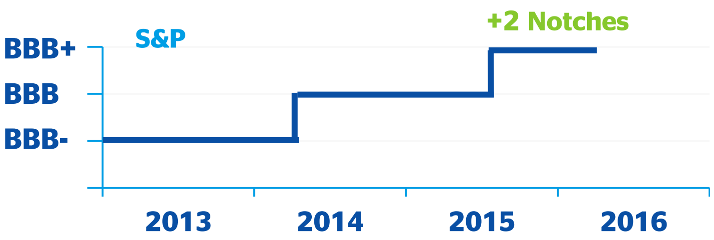
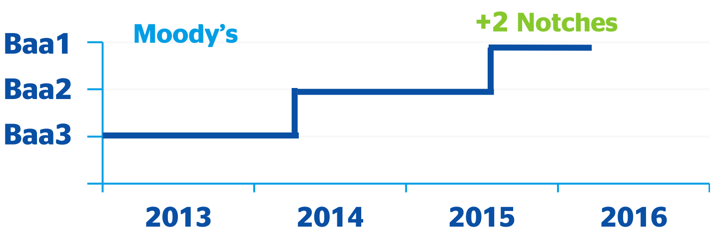
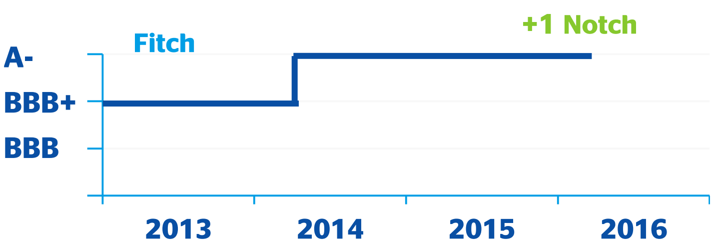
Appendix

BBVA Group Ratings

Latest Rating Actions







BBVA's ratings (Sep, 2016)

MOODY'S		S&P		FITCH		DBRS		SCOPE	
Aaa		AAA		AAA		AAA		AAA	
Aa1		AA+		AA+		AA (high)		AA+	
Aa2		AA		AA		AA		AA	
Aa3		AA-		AA-		AA (low)		AA-	
A1		A+		A+		A (high)		A+	
A2		A		A		A	BBVA (st.)	A	BBVA (st.)
A3		A-		A-	BBVA (st.)	A (low)	Spain (st.)	A-	
Baa1	BBVA (st.)	BBB+	BBVA (st.) Spain (st.)	BBB+	Spain (st.)	BBB (high)		BBB+	
Baa2	Spain (st.)	BBB		BBB		BBB		BBB	
Baa3		BBB-		BBB-		BBB (low)		BBB-	
Ba1		BB+		BB+		BB (high)		BB+	
Ba2		BB		BB		BB		BB	
Ba3		BB-		BB-		BB (low)		BB-	
B1		B+		B+		B (high)		B+	
B2		B		B		B		B	
B3		B-		B-		B (low)		B-	
(...)		(...)		(...)		(...)		(...)	

Non investment grade

(+) Positive outlook; (st.) Stable outlook; (-) Negative outlook

BBVA's rating trends improving since end 2013

New methodologies are improving BBVA's absolute and / or relative rating position vs. peers

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